United States General Accounting Office

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Report to the Chairman, Subcommittee on Treasury, Postal Service, and General Government, Committee on Appropriations, U.S. Senate

June 1988

IRS' ADP BUDGET

Issues That Could Affect Funding of Personnel System Project

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GAO

United States
General Accounting Office
Washington, D.C. 20548

Information Management and
Technology Division

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June 15, 1988

The Honorable Dennis DeConcini
Chairman, Subcommittee on Treasury,
Postal Service, and General Government
Committee on Appropriations
United States Senate

Dear Mr. Chairman:

The purpose of this letter is to provide information to assist you in your evaluation of the Internal Revenue Service's (IRS) fiscal year 1989 budget request. As we discussed with your office, we have questions about $10.3 million relating to IRS' Personnel Management Information Telecommunications System (PERMITS). IRS is experiencing problems converting PERMITS from the current Burroughs-based system to a Sperry-based system. In addition, the Department of the Treasury is considering the agencywide use of an alternative personnel and payroll system. As a result, you may wish to explore IRS' current justification for these funds.

Background

In May 1983, Treasury selected, for agencywide implementation, the personnel system called PERMITS, which was developed by the Air Force. The Air Force modified its system's software for Treasury's use and makes software adjustments requested by Treasury. As part of an interservice support agreement, the Air Force is also responsible for performing software maintenance services for Treasury.

IRS began a phased implementation of PERMITS in January 1984 and completed installation in September 1986. PERMITS transactions are made through terminals located in IRS field personnel offices and transmitted to a Burroughs mainframe computer located in Washington, D.C. Personnel information from the Burroughs mainframe computer is transmitted to IRS' payroll system, which operates on a Sperry mainframe computer located at the IRS Detroit Data Center.

Through the interservice support agreement, the Air Force asked Treasury to maintain hardware compatibility. In 1986, the Air Force completed a conversion to Sperry equipment. In order to maintain hardware compatibility, in September 1987, IRS began converting PERMITS from the Burroughs system to the Sperry system at the Detroit Data Center. This conversion was scheduled for completion in December 1987.

According to Treasury and IRS memoranda, numerous problems have been encountered in trying to convert PERMITS to the Sperry mainframe. Principally because of communications software difficulties with a new telecommunications network, only one IRS region had been converted as of May 1988. In January 1988, Treasury organized a study team to evaluate and recommend alternatives for a new Treasury-wide payroll system, which would include IRS. In April 1988, the study team recommended that Treasury select the U.S. Department of Agriculture's integrated payroll and personnel system. According to the Treasury official responsible for the automated payroll and personnel systems, use of Agriculture's system would eliminate the need for PERMITS. To date, no official decision on whether to use Agriculture's system has been made.

Observations and Considerations

IRS is requesting about $10.3 million in fiscal year 1989 for PERMITS including staff, equipment, and system support. Considering the possibility that Treasury will decide to use the Agriculture system on an agency-wide basis, as well as the telecommunications difficulties experienced by IRS in making the conversion from the Burroughs to the Sperry system, the Subcommittee may wish to explore IRS' current justification for these funds.

Objective, Scope, and Methodology

Our objective was to research the status of the conversion of PERMITS to the Sperry system. We reviewed PERMITS conversion schedules and agency memoranda concerning conversion problems. We obtained information from discussions with the IRS National Office and Treasury officials responsible for PERMITS management.

Our work was conducted from April to June 1988 at the IRS Detroit Data Center and the IRS National Office in Washington, D.C. We performed our work in accordance with generally accepted government auditing standards.

As arranged with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from its issue date.

Sincerely yours,

Ralph V. Carlone
Director

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